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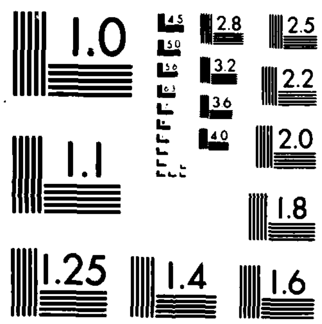


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United States General Accounting Office

GAO

Briefing Report to the Chairman, Task Force on the Budget Process, Committee on the Budget, House of Representatives

September 1986

# BUDGET ISSUES

# Analysis of Unexpended Balances at Selected Civil Agencies



GAO/AFMD-86-76BR

GAO

United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-221420

September 30, 1986

The Honorable Butler Derrick
Chairman, Task Force on
the Budget Process
Committee on the Budget
House of Representatives

Dear Mr. Chairman:

Following our briefing and subsequent report entitled Budget Issues: Governmentwide Analysis of the Growth in Unexpended Balances (GAO/AFMD-86-24BR, January 17, 1986), you requested that we undertake a study and brief the task force on the reasons for those unexpended--obligated plus unobligated--balances. Specifically, you asked us to identify the reasons that affect the levels of unexpended balances, to identify any patterns in the unexpended balances among agencies and programs, and to determine if civil spendout and obligation rates are stable. As agreed with your office, we are addressing your questions regarding unexpended balances and reprogrammings at the Department of Defense in a separate study.

In order to cover the most recently completed fiscal year in our study, we updated some of the unexpended balances statistics in our prior report to include 1985 data. On the basis of the updated statistics, we have two primary observations:

--Unexpended balances continued to grow in 1985 to $156.8 billion, an increase of 5 percent over the fiscal year 1984 total of $149.2 billion and an increase of 16 percent over the fiscal year 1981 balance of $135.3 billion. Obligations totaled $122.4 billion of the $156.8 billion, and the unobligated portion totaled $34.4 billion.

--Almost all of the growth occurred in the unobligated portion of unexpended balances. During the 4-year period from fiscal year 1981 through fiscal year 1985, unobligated balances increased 122 percent, while the obligated balances grew only 2 percent. Of the $21.5 billion increase from fiscal year 1981 through fiscal year 1985 in the civil agencies' unexpended balances, $18.9 billion resulted from an increase in unobligated balances.

Using the updated statistics, we selected agencies and accounts for analysis of the reasons for unobligated balances. We focused on agencies and accounts with high unobligated balances since most of the growth had occurred in this portion of the unexpended balances. As agreed with your office, we analyzed five civil agencies: the departments of Energy (DOE), Housing and Urban Development (HUD), and Transportation (DOT); the National Aeronautics and Space Administration (NASA), and the Veterans Administration (VA). Within these agencies, various types of accounts, such as procurement or construction, were chosen for analysis to determine the reasons for their unobligated balances. We selected for analysis a total of 19 accounts which had a total unobligated balance of $56.7 billion in fiscal year 1985.[1] We determined the reasons for $52.3 billion, or 92 percent of this unobligated balance; reasons for the remaining 8 percent were not readily available. We did not determine the appropriateness of the balances. Detailed analysis would have to be made at an account or line-item level to determine if the balances needed to be adjusted. Just because large unobligated balances exist does not mean that they are excessive. On the basis of our analysis of these 19 accounts, we made the following observations.

First, unobligated balances existed for various reasons. For fiscal year 1985, we identified 24 reasons for the unobligated balances in the 19 accounts we reviewed. Several of the same 24 reasons identified for the fiscal year 1985 unobligated balances also applied from fiscal year 1981 through fiscal year 1984. Some reasons repeated themselves yearly in the same accounts. Other reasons, although not consistently applicable to an agency or account from one year to the next, occurred regularly throughout fiscal year 1981 through fiscal year 1984.

Second, the reason for the largest single amount of the unobligated balance--$47.6 billion--was that agencies committed funds to specific programs or projects but did not obligate those funds. The HUD Annual Contributions for Assisted Housing account represented most of this balance--$45.6 billion. A Comptroller General decision (B-197274, February 16, 1982) stipulated, among other provisions, that government funds must remain unobligated until a contract is executed which legally obligates the funds. Prior to the ruling, HUD reported such funds as obligated. The next three largest unobligated balances were for the following reasons: (1) grantees did not always use

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[1]As explained in appendix I, the $56.7 billion unobligated balance consists of $6.9 billion selected from the adjusted civil balance of $34.4 billion and two HUD accounts which totaled $49.8 billion.

funds allocated, $994 million; (2) fully-funded programs or projects were not yet completed, $851 million; and (3) work to be done by one agency for federal and nonfederal customers (through reimbursable programs) was not yet completed, $721 million.

Third, obligation rates were more stable at VA, NASA, DOT, and DOE during the period from fiscal year 1981 through fiscal year 1985. Percentage changes in the rates for each year were all under 7 percent for these four agencies. HUD obligation rates were less stable during the period of our review, declining nearly 14 percent in fiscal year 1985.

Fourth, spendout rates were more stable at VA, NASA, and DOE, varying less than 6 percent each year from fiscal year 1981 to fiscal year 1985. On the other hand, DOT and HUD spendout rates were less stable for 3 years during our review, varying as much as 20 and 26 percent, respectively.

Our report consists of five appendixes. Appendix I provides the background for ~~our~~ study, including its objectives, scope, and methodology. Appendix II contains statistics on unexpended balances that update ~~our~~ January 1986 report. Appendix III presents ~~our~~ analysis of the unexpended balances at the five civil agencies chosen for this study and discusses in detail 7 of the 24 reasons for unobligated balances which were ~~we~~ identified. Appendix IV contains a discussion of some of the remaining 17 reasons within the context of the agency and the specific accounts to which they apply. Appendix IV also includes a table for each agency showing the amounts of unobligated balances in 1985 that were attributed to each applicable reason. Appendix V contains a description of the 24 reasons identified for the unobligated balances. We are also including a glossary of budget terms used in this report.

As you requested, we did not obtain official agency comments on a draft of this report. We did, however, discuss our observations with agency officials and considered their comments in finalizing our report.

I would be pleased to discuss this report with you at your convenience. If you have any questions about this report, please call me on 275-9573. We are sending copies to the agencies involved and other interested parties. Copies will be available to others upon request.

Sincerely yours,

James L. Kirkman
Associate Director

## Contents

ABBREVIATIONS

| | |
|---|---|
| Amtrak | National Railroad Passenger Corporation |
| CBO | Congressional Budget Office |
| DOD | Department of Defense |
| DOE | Department of Energy |
| DOT | Department of Transportation |
| FRA | Federal Railroad Administration |
| FY | fiscal year |
| GAO | General Accounting Office |
| HUD | Department of Housing and Urban Development |
| NASA | National Aeronautics and Space Administration |
| OMB | Office of Management and Budget |
| UMTA | Urban Mass Transportation Administration |
| VA | Veterans Administration |

# OBJECTIVES OF REVIEW

***REQUEST FROM THE CHAIRMAN, HOUSE TASK FORCE ON THE BUDGET PROCESS***

- **IDENTIFY THE REASONS THAT AFFECT THE LEVELS OF UNEXPENDED BALANCES**
- **IDENTIFY ANY PATTERNS IN THE UNEXPENDED BALANCES AMONG AGENCIES AND PROGRAMS**
- **DETERMINE IF CIVIL SPENDOUT AND OBLIGATION RATES ARE STABLE**

## Objectives of the Review

The chairman of the House Task Force on the Budget Process asked us to identify the reasons that affect the levels of unexpended balances--obligated plus unobligated balances.

Further, the chairman requested that we

--identify any patterns in the unexpended balances among agencies and programs, and

--determine whether civil spendout and obligation rates are stable.

This work is a follow-up to our previous study <u>Budget Issues: Governmentwide Analysis of the Growth in Unexpended Balances</u> (GAO/AFMD-86-24BR, January 17, 1986).

# SCOPE OF JOB

- IDENTIFIED CIVIL UNEXPENDED BALANCES FROM FY 1981-1985
- FOCUSED ON AGENCIES AND ACCOUNTS WITH HIGH UNOBLIGATED BALANCES
- COVERED FIVE CIVIL AGENCIES FROM FY 1981-1985
- SELECTED 19 ACCOUNTS FOR ANALYSIS
- CONCENTRATED ON REASONS THAT AFFECTED FY 1985 UNOBLIGATED BALANCES

## Job Scope

For our analysis of the reasons that affect the levels of unexpended balances, we first updated the statistics contained in our January 1986 report to include fiscal year (FY) 1985 unexpended balance amounts.

We analyzed the unexpended balances from FY 1981 through FY 1985 to determine any trends in the obligated and unobligated balances. We also analyzed the unobligated balances from FY 1981 through FY 1985 according to six program areas which the Office of Management and Budget (OMB) uses in its annual analysis of balances of budget authority to determine the growth and mix of the unobligated balances. The six program areas were (1) loans, (2) procurement, (3) construction, (4) research and development, (5) other, and (6) balances less than $20 million.

To be consistent with our January 1986 report, we adjusted our universe to exclude certain programs and activities from the civil unexpended balances total. This was done because of their unique nature or the relationship of budget authority to outlays. The exemptions were:

<u>Trust Funds</u> - Many trust funds, like the Social Security trust fund, may treat all income to a fund as budget authority. As long as the fund has adequate receipts, the relationship between budget authority and outlays is unique when compared to other activities. Unlike many other federal activities whose unobligated balances represent potential liabilities to be funded by future taxes or borrowing, unobligated balances of trust funds with dedicated receipts (i.e., restricted to the purposes of the trust fund) represent assets of those trust funds. However, these funds are invested in Treasury securities, and Treasury uses the cash deposited to finance other government activities. If the trust fund redeems its securities to finance trust fund activities, Treasury must raise the cash through additional borrowing from the public.

<u>Guarantee and Insurance Programs</u> - In many programs, notably housing and banking, budget authority is provided for contingency, standby, reserve, and debt redemption. Such budget authority is provided, in many cases, with the expectation that it is unlikely ever to be used. These unique programs are affected by economic changes and disasters.

<u>HUD Subsidized Housing Programs</u> - The budget authority associated with these programs is spent over a much longer period than most other programs, up to 40 years. In addition, the large balances of unexpended budget authority result in a relatively small amount of outlays. For example, in FY 1985 these programs had $249.7 billion in unexpended balances but only $10 billion in outlays.

<u>Treasury's Exchange Stabilization Fund and Energy Security Reserve</u> - Because of their unique relationship to budget and economic policy, we did not review these accounts.

We refer to this new universe as adjusted civil balances, which in FY 1985 had $156.8 billion in unexpended balances. The obligated portion of the unexpended balances totaled $122.4 billion, and the unobligated portion totaled $34.4 billion.

From the adjusted civil balances, we focused on agencies and accounts with high unobligated balances at the end of FY 1985. We focused on unobligated balances because they accounted for the largest percentage of growth in the unexpended balances. We ranked the top 10 agencies according to their ending FY 1985 unobligated balances, which accounted for $26.1 billion, or 76 percent, of the FY 1985 adjusted civil balance of $34.4 billion. We then selected three agencies for analysis because of their high unobligated balances and the variety of their accounts: the Department of Energy (DOE), the Department of Transportation (DOT), and the Veterans Administration (VA). At the request of the task force, we also selected the Department of Housing and Urban Development (HUD), which was among the top 10, and the National Aeronautics and Space Administration (NASA), which was not. These five agencies accounted for a total of $9.5 billion of the $34.4 billion civil adjusted unobligated balance in FY 1985.

Within these five agencies, we initially selected 17 accounts with high unobligated balances in FY 1985 which accounted for $6.9 billion, or 73 percent, of the adjusted five civil agencies' unobligated balances. We also added two HUD accounts with high unobligated balances (in addition to the 3 already included in our initial 17) that were excluded from the adjusted civil balance. One was the subsidized housing program's unobligated balance of $49.4 billion, which we had excluded from our calculation of the adjusted civil balance because of its unique nature. Also included in our study was HUD's Low Rent Public Housing account (with an unobligated balance of $349 million in FY 1985) which OMB had classified as a standby account (included in guarantee and insurance programs on page 9 and, therefore, excluded from the adjusted civil balance) but which was functioning as a loan account. Thus, our review included 19 accounts with a total unobligated balance of $56.7 billion in FY 1985.

The unobligated balances in the 19 accounts we analyzed represented about 96 percent of the FY 1985 adjusted unobligated balances of the five agencies. The percentage of adjusted unobligated balances which we reviewed at each agency is shown below:

Table I.1: Percentage of Adjusted Unobligated Balances Reviewed

| Agency | Percentage |
|---|---|
| NASA | 100 |
| DOE | 53 |
| DOT | 68 |
| VA | 87 |
| HUD | 99 |

Our analysis of the 19 accounts concentrated on reasons for the unobligated balances in FY 1985. Although we documented reasons for the balances from FY 1981 through FY 1985, we specifically concentrated on determining the reasons for and reporting on FY 1985 because (1) it was the most current fiscal year, and (2) more information was available than for the earlier fiscal years.

We did only a limited analysis of obligated balances because (1) the balances had grown at a slower rate than unobligated balances from FY 1981 through FY 1985, and (2) there were several ongoing or recently completed agency studies of obligations at the agencies we visited. (See pages 69-70.)

We did not determine the appropriateness of specific account balances. Detailed analysis would have to be made at an account or line-item level to determine if the balances are excessive.

We also reviewed our prior studies for additional input to our current analysis. These included Potential for Excess Funds at DOD (GAO/NSIAD-85-145, September 3, 1985) and Budget Issues: Budgeting for Inflation in Selected Civil Accounts (GAO/AFMD-86-34BR, March 20, 1986).

In the request for this review, the task force also raised questions concerning the unexpended balances of the Department of Defense (DOD). A separate review will address the reasons for DOD's unexpended balances, the effect of reprogramming on them, and an analysis of DOD's current spendout rates.

# JOB METHODOLOGY

- UPDATED STATISTICS ON UNEXPENDED BALANCES AND DEVELOPED A DATA BASE FOR 5 AGENCIES AND 19 ACCOUNTS
- INTERVIEWED AGENCY BUDGET, FINANCIAL, AND PROGRAM OFFICIALS
- INTERVIEWED OMB EXAMINERS AND CBO STAFF
- ANALYZED BUDGET DATA AND EXAMINED RELEVANT DOCUMENTS

Our prior report on unexpended balances (Budget Issues: Governmentwide Analysis of the Growth in Unexpended Balances, GAO/AFMD 86-24BR, January 17, 1986) provided statistics for FY 1978 through FY 1984. In this report, we update the data on the total adjusted civil unexpended balances and for agencies and accounts selected for analysis, as explained in our scope. In addition, we update data on unobligated balances in program areas as reported by OMB.

To determine the amount of unexpended balances for the adjusted civil accounts, we used the Budget Appendix to develop a data base of budget data for the 19 accounts. We then analyzed the data for trends or unusual changes and interviewed agency budget, financial, and program officials to identify the reasons that affect unexpended balances and the amounts associated with the reasons. We also interviewed OMB examiners and Congressional Budget Office (CBO) staff to obtain their perspectives regarding the growth of unexpended balances.

We analyzed budget data and examined relevant documents in order to assess the effects of deferrals, rescissions, and other events. The source of the budget data was primarily the Budget Appendix. The documents we examined included deferral messages, rescission messages, budget requests, and budget justifications.

We performed our fieldwork from February to May 1986 at the headquarters offices of the five selected agencies in the Washington, D.C., area. As you requested, we did not obtain official agency comments. However, agency officials reviewed our analysis to assess the accuracy of our reasons for unobligated balances and the associated amounts.

# SUMMARY OF OBSERVATIONS

- UNEXPENDED BALANCES CONTINUED TO GROW
- ALMOST ALL OF THE GROWTH WAS IN THE UNOBLIGATED BALANCES
- UNOBLIGATED BALANCES EXISTED FOR A NUMBER OF REASONS, INCLUDING NO-YEAR FUNDING AND INFLATION

Summary of Observations

Unexpended balances in civil agencies grew in FY 1985 to $156.8 billion, increasing 5 percent over the FY 1984 balance of $149.2 billion. During the 4-year period from FY 1981 to FY 1985, unobligated balances have accounted for almost all of the growth in unexpended balances--unobligated balances increased by 122 percent, while obligated balances grew only 2 percent.

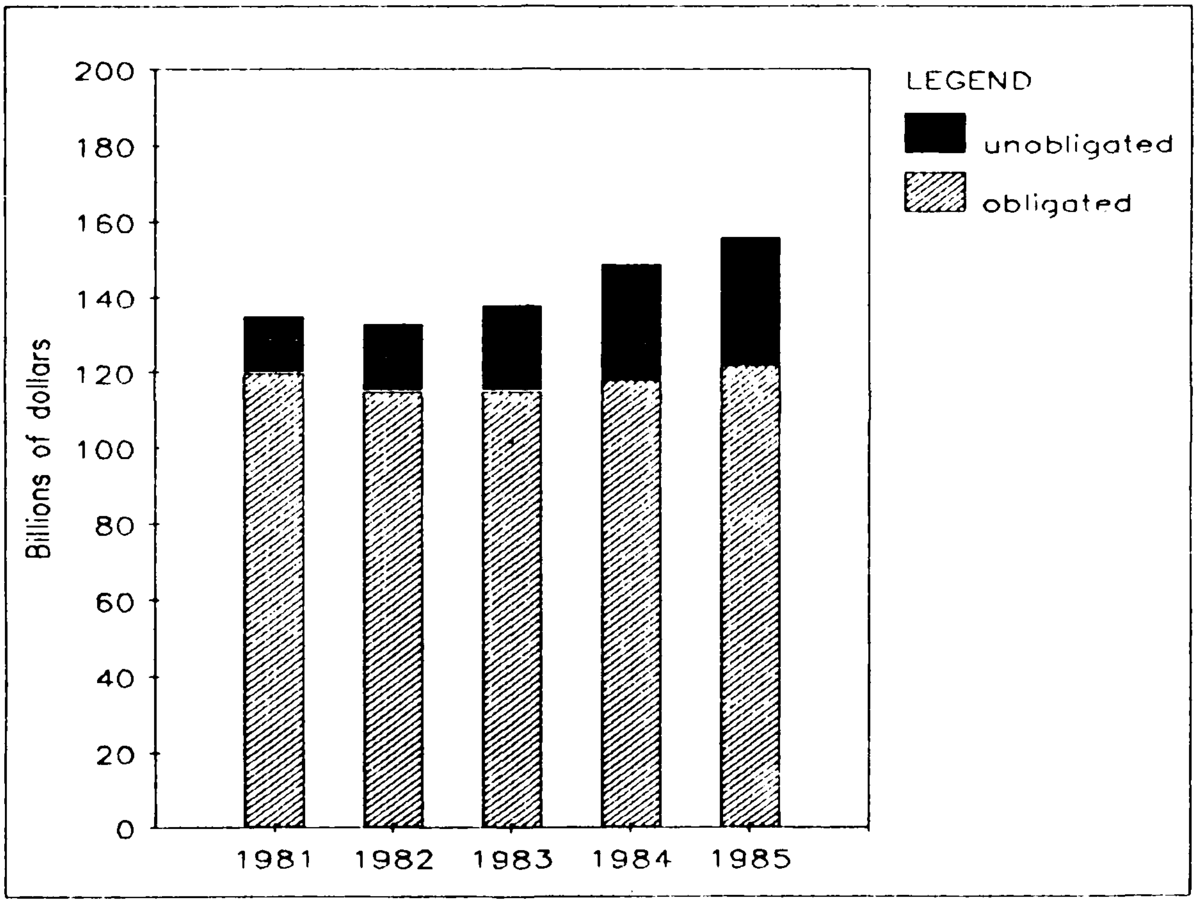
We identified from budget data the specific accounts where unobligated balances increased or decreased during this period. Our review of 19 of these accounts at five agencies found that unobligated balances existed for a number of reasons. For example, in FY 1985 we identified a total of 24 reasons contributing to the unobligated balances, including no-year funding, lower than estimated inflation, deferrals, full funding, and erratic appropriations. Several of the same 24 reasons identified for the FY 1985 unobligated balances also applied in previous years. Some reasons repeated themselves yearly in the same accounts. Other reasons, although not consistently applicable to an agency or account from one year to the next, occurred regularly throughout FY 1981 to FY 1984.

APPENDIX II

# APPENDIX II

## *UPDATE OF STATISTICS ON UNEXPENDED BALANCES (ADJUSTED CIVIL BALANCES) FISCAL YEARS 1981-1985*

# ADJUSTED CIVIL UNEXPENDED BALANCES FISCAL YEARS 1981-85



## Adjusted Unexpended Balances

Changes have occurred in the adjusted civil unexpended balances, including the obligated and unobligated portions, for FY 1981 through FY 1985. For example, unexpended balances grew 16 percent, from $135 billion to over $156 billion; unobligated balances grew 122 percent, from $15 billion to $34 billion; and obligated balances grew 2 percent, from $120 billion to $122 billion.

Specific dollar amounts and the percentage portions of the obligated and unobligated balances for each fiscal year are shown in table II.1.

Table II.1: Adjusted Civil Unexpended Balances

| | 1981 | (%) | 1982 | (%) | 1983 | (%) | 1984 | (%) | 1985 | (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| | (dollars in billions) | | | | | | | | | |
| Unobligated | $ 15.5 | (11) | $ 18.4 | (14) | $ 22.8 | (17) | $ 31.0 | (21) | $ 34.4 | (22) |
| Obligated | 119.8 | (89) | 115.3 | (86) | 114.6 | (83) | 118.2 | (79) | 122.4 | (78) |
| Total unexpended | $135.3 | (100) | $133.7 | (100) | $137.4 | (100) | $149.2 | (100) | $156.8 | (100) |

# GROWTH OF ADJUSTED UNOBLIGATED BALANCES

- **MOST GROWTH OCCURRED IN LOAN, PROCUREMENT, AND "OTHER" PROGRAM AREAS**

## Growth of Adjusted Unobligated Balances

To determine where most growth had occurred in unobligated balances by program area, we used OMB's annual reports titled Balances of Budget Authority. These reports analyze information on the unexpended balances of budget authority carried forward at the end of each fiscal year; we did not verify OMB's data. Part of OMB's analyses shows unobligated balances in "program categories." Six of the OMB seven program areas (loans, procurement, construction, research and development, other, and accounts under $20 million) are relevant to our review. (We excluded the seventh, guarantee and insurance programs. See job scope, page 9.) Table II.2 shows the amounts of increases in the unobligated balances by program area and the percent of change from FY 1981 to FY 1985.

Table II.2: Unobligated Balances by Program Area, Adjusted Civil Agencies

| Program area | FY 1981 | FY 1982 | FY 1983 | FY 1984 | FY 1985 | Amount and percent increase (decrease) FYs 1981-85 | |
|---|---|---|---|---|---|---|---|
| | (millions) | | | | | | |
| Loans | $ 1,737 | $ 3,355 | $ 6,318 | $11,712 | $10,185 | $ 8,448 | 486% |
| Procurement | 399 | 825 | 1,305 | 2,062 | 1,979 | 1,580 | 396% |
| Construction | 5,452 | 6,097 | 5,858 | 5,314 | 5,372 | (80) | (1%) |
| Research and development | 1,758 | 1,451 | 1,901 | 1,458 | 1,561 | (197) | (11%) |
| Other | 4,860 | 5,349 | 6,111 | 9,011 | 13,683 | 8,823 | 182% |
| Less than $20 million | 1,280 | 1,330 | 1,346 | 1,440 | 1,590 | 310 | 24% |
| Total | $15,486 | $18,407 | $22,839 | $30,997 | $34,370 | $18,884 | 122% |

For three program areas--loans, procurement, and other--large increases or decreases occurred compared to the totals for the accounts' respective program areas. Examples of those accounts from the three program areas follow.

The growth in the loan area over the 4-year period (see table II.2) is attributed primarily to the Funds Appropriated to the President and to Department of Labor accounts. In the former, the FY 1981 unobligated balance for the International Monetary Fund account was zero; in FY 1983, the unobligated

balance in this account was $2 billion; in FY 1984 and FY 1985, the unobligated balance was $4.2 billion. At the Department of Labor, the Advances to the Unemployment Trust Fund account had an unobligated balance of $3.3 billion in FY 1984 and zero in FY 1985. The decrease in this account, netted against increases in other loan program accounts, explains most of the drop in unobligated balances in loan programs from FY 1984 to FY 1985. This drop notwithstanding, the overall increase for the 4-year period was $8.4 billion, an increase of 486 percent.

Following are examples of the largest unobligated balances in loan accounts in FY 1985:

--in the Funds Appropriated to the President, the International Monetary Fund had $4.2 billion and the Economic Support Fund $1.2 billion;

--at the Small Business Administration, the Disaster Loan Fund had $1.5 billion; and

--at the Department of Housing and Urban Development, the Housing for the Elderly and Handicapped Program had $1.5 billion.

The unobligated balance in the procurement area increased $1.6 billion, or 396 percent, during the FY 1981 to FY 1985 period. (See table II.2.) About $1.1 billion of that amount was attributed to unobligated balances in three accounts. These accounts had zero balances of unobligated funds in FY 1981. Therefore, the accounts were responsible for about 70 percent of the growth in the procurement area from FY 1981 through FY 1985. Their unobligated balances for FY 1985 were:

--the General Services Administration's National Defense Stockpile Transaction Fund, $434 million;

--the Department of Transportation's Coast Guard Acquisition, Construction, and Improvements, $411 million; and

--in Funds Appropriated to the President, the Special Defense Acquisition Fund, $266 million.

Grants, subsidies, contributions, insurance claims, and indemnities are a large part of the "other" program area. The unobligated balance increased $8.8 billion, or 182 percent, from FY 1981 to FY 1985. (See table II.2.) The largest single amount is at the Department of Health and Human Services, where the Payment to the Social Security Administration Trust Funds account had a zero balance in FY 1981 and an unobligated balance of $3.5 billion in FY 1985. Another sizable amount of growth during the 4-year period was the Department of Transportation's Urban Mass Transit Administration's Formula Grants account, which rose from zero in FY 1981 to an unobligated balance of $1.1 billion in FY 1985.

Other grants, subsidies, contributions, insurance claim payments, and expenditures for such items as supplies, materials, and services which are not specifically identified in the OMB data account for the remainder of the increase in unobligated balances in the "other" program area.

# APPENDIX III

- ANALYSIS OF UNEXPENDED BALANCES IN 19 ACCOUNTS AT 5 SELECTED CIVIL AGENCIES
- ANALYSIS OF AGENCIES' OBLIGATION AND SPENDOUT RATES

# SIX CATEGORIES OF REASONS FOR UNOBLIGATED BALANCES--FY 1985

- AGENCY ACTIONS
- FUNDING METHODS
- ECONOMIC CONDITIONS
- CONGRESSIONAL ACTIONS
- EXECUTIVE ACTIONS
- OTHER REASONS

Six Categories of Reasons for Unobligated Balances

We identified 24 different but interrelated reasons for unobligated balances that existed at the end of FY 1985 for the 19 accounts within the five agencies we selected for review. (See table III.3 on page 30.) The 19 accounts had total unobligated balances in FY 1985 of $56.7 billion, and we determined reasons for $52.3 billion, or 92 percent, of that amount. We grouped the 24 reasons into six general categories which are listed here.

1. Agency actions include actions taken by a federal agency or by others for whom the agency is responsible, such as contractors. These actions include transfers and reprogrammings, project cancellations, and delays in awarding contracts.

2. Funding methods include the period of availability during which funds must be obligated, such as a set number of years (multiyear) or unlimited time (no-year). This category also includes funding concepts, such as full funding, and methods such as revolving funds and reimbursable programs. The multiyear, no-year, and full-funding methods are not mutually exclusive concepts since fully-funded programs also can be funded on a no-year or multiyear basis. For purposes of our analysis, we assigned unobligated balance amounts to the reason provided by agency officials as the primary reason.

3. Economic conditions include reasons attributable to the general state of the economy for which no one entity or single action is responsible. These reasons include lower than estimated inflation and lower than estimated actual costs.

4. Congressional actions refer to actions taken by the Congress and include erratic appropriations (late, early, and supplemental appropriations), more funds received than requested, and additional program review between the Congress and agency management.

5. Executive actions refer to actions taken by the Executive Office of the President, including deferrals.

6. Other reasons include those which did not apply to the other five categories. These reasons include old no-year appropriations unspent and grantees' nonuse of allocated funds.

Table III.1 ranks the categories by amounts of unobligated balances for FY 1985 in the selected civil accounts we reviewed.

Table III.1: Categories and Amounts for Unobligated Balances, Selected Civil Accounts, FY 1985

| Category | Amount (millions) | Percent of total[a] |
|---|---|---|
| Agency actions | $48,604 | 92.9 |
| Funding methods | 2,073 | 4.0 |
| Other reasons | 1,178 | 2.3 |
| Economic conditions | 237 | 0.5 |
| Congressional actions | 176 | 0.3 |
| Executive actions | 30 | 0.1 |
| Total identified reasons | $52,298 | 100.0 |

[a]Percentages do not add to 100 due to rounding.

Ten of our 24 reasons, and $48.6 billion, or 93 percent, of our total of $52.3 billion in unobligated balances for which we identified reasons, were the result of agency management actions. The second-largest category was funding methods. It included 5 of our 24 reasons and $2.1 billion, or 4 percent, of our total unobligated balances for which we could determine reasons. The remaining four categories, congressional and executive actions, economic conditions, and other reasons, made up the final 9 reasons and accounted for 3 percent, or $1.6 billion, of the unobligated balance for which we identified reasons.

The $48.6 billion attributable to agency actions included $45.5 billion from one account, HUD's Annual Contributions for Assisted Housing. Table III.2 shows the amounts and percents of the total amount which each category of reasons represents in the selected civil accounts, excluding the large HUD Annual Contributions for Assisted Housing account. Categories of reasons to which unobligated balances were attributed rank in the same order as table III.1.

Table III.2: Categories and Amounts for Unobligated Balances, Selected Civil Accounts Excluding HUD's Annual Contributions for Assisted Housing, FY 1985

| Category | Amount (millions) | Percent of total[a] |
|---|---|---|
| Agency actions | $3,051 | 45.2 |
| Funding methods | 2,073 | 30.7 |
| Other reasons | 1,178 | 17.5 |
| Economic conditions | 237 | 3.5 |
| Congressional actions | 176 | 2.6 |
| Executive actions | 30 | 0.4 |
| Total identified reasons | $6,745 | 100.0 |

[a]Percentages do not add up to 100 due to rounding.

The six categories, 24 reasons, and amounts of unobligated balances at our selected civil agencies are shown in table III.3. (See appendix V for descriptions of the 24 reasons.)

Table III.3: Reasons and Total Amounts for Unobligated Balances, Selected Civil Accounts, FY 1985

| Categories / Reasons | Totals (millions) |
|---|---|
| Agency actions: | |
| Reserve/set aside | $ 354 |
| Transfers and reprogrammings | 16 |
| Delay in design or construction changes | 183 |
| Delay in awarding contracts | 107 |
| Contract dispute | 2 |
| Delay in fund commitment process | 50 |
| Project cancellation | 50 |
| *Funds committed but not yet obligated | 47,571 |
| Underestimated costs | 14 |
| Inability to spend disapproved deferral | 257 |
| Funding methods: | |
| No-year funding | 34 |
| *Fully-funded programs not yet completed | 851 |
| Multiyear funding | 106 |
| *Work for others not yet completed | 721 |
| Revolving fund | 361 |
| Other reasons: | |
| *Old no-year appropriations unspent | 143 |
| *Grantees' nonuse of allocated funds | 994 |
| Projects canceled for various reasons | 41 |
| Economic conditions: | |
| *Inflation lower than estimated | 216 |
| Actual costs lower than estimated | 21 |
| Congressional actions: | |
| Erratic appropriations | 68 |
| *More funds received than requested | 97 |
| Additional program review | 11 |
| Executive actions: | |
| Deferrals | 30 |
| Total for identified reasons | 52,298 |
| Total unobligated balance | $56,674 |

*Reasons selected for further description. (See pages 35-56.)

Patterns in Reasons for Unobligated Balances

We identified several reasons which recurred year after year in the same account and, as a result, could be expected to explain part of that account's unobligated balance each year. These reasons included setting up reserves, administratively committing funds, receiving full funding and/or no-year funding for long-term projects, doing work for others on a multiyear basis, and various program delays. For example, at VA and DOT, unobligated carryover balances occurred each year of our review as a result of fully-funded, multiyear construction projects. Because the total costs of the projects are provided at the time they are undertaken and because these projects take several years to complete, unobligated balances normally occur. Likewise, administratively committing funds, a procedure whereby funds are committed to specific projects and/or contractors prior to entering into a legal obligation, occurred in at least two agencies and five accounts during each year of our review. In FY 1985, administratively committing funds occurred in nine accounts at three agencies. At NASA, reserves for contingencies, inflation, and contract maintenance were built into most projects during the period of our review. Because NASA receives multiyear funding and because reserves were not usually used in the first year of appropriation, unobligated balances occurred at year-end and were carried over into the next fiscal year for each year of our review.

Several of the 24 reasons we identified in FY 1985 recurred throughout FY 1981 to FY 1984, although they were not consistently applicable to an agency or account from one year to the next. Reasons such as erratic appropriations, deferrals, transfers, reprogrammings, and design delays fell into this pattern. For example, erratic appropriations (such as late, early, and supplemental) occurred in DOE's Energy Supply account in FY 1981, NASA's Construction account in FY 1982, HUD's Community Development Block Grant program in FY 1983, and NASA's Research and Development account in FY 1984.

 APPENDIX III

# SELECTED REASONS FOR UNOBLIGATED BALANCES

- FUNDS COMMITTED BUT NOT YET OBLIGATED
- GRANTEES' NONUSE OF ALLOCATED FUNDS
- FULLY-FUNDED PROGRAMS NOT YET COMPLETED
- WORK FOR OTHERS NOT YET COMPLETED
- OLD NO-YEAR APPROPRIATIONS UNSPENT
- INFLATION LOWER THAN ESTIMATED
- MORE FUNDS RECEIVED THAN REQUESTED

Seven Selected Reasons for Unobligated Balances

We selected the seven reasons to examine in detail. (The remainder of the reasons are described in appendix IV of this report.) We selected four reasons because they represent the four largest dollar amounts for the accounts that we reviewed. These reasons are

--funds committed but not yet obligated, $47,571 million;

--grantees' nonuse of allocated funds, $994 million;

--fully-funded programs not yet completed, $851 million; and

--work for others not yet completed, $721 million.

We selected the three additional reasons because they represent relatively large dollar amounts and potential excess funds:

--old no-year appropriations unspent, $143 million;

--lower than estimated inflation, $216 million; and

--more funds received than requested, $97 million.

Descriptions and examples of each of the seven selected reasons are discussed on pages 35-56.

# FUNDS COMMITTED BUT NOT YET OBLIGATED

- INVOLVED 9 ACCOUNTS AT 3 AGENCIES
- FUNDS NOT LEGAL OBLIGATIONS BUT COMMITTED FOR SPECIFIC PURPOSES
- $47.6 BILLION IN UNOBLIGATED BALANCES IN FY 1985

Funds Committed but Not Yet Obligated

This reason represented $47.6 billion in ending FY 1985 unobligated balances and involved nine accounts at three agencies (HUD, DOT, and NASA). Commitment of funds involves setting aside unobligated balances for future obligation. Agencies commit funds for specific purposes, such as executing assisted housing contracts, constructing facilities, and procuring goods and services. Although funds are committed, no legal obligation on the part of the United States government exists because a formal contract or agreement has not been signed.

Of the $47.6 billion of unobligated funds, $47.2 billion was in four HUD accounts:

--$45.6 billion in the Annual Contributions for Assisted Housing account;

--$1.5 billion in the Housing for the Elderly or Handicapped account for specific construction projects; and

--$100 million in the Urban Development Grant account and the Community Development Block Grant account.

In the past, HUD recorded commitments as obligations in the first two accounts listed above. However, in FY 1982, the Comptroller General ruled (B-197274, February 16, 1982) that this practice was improper because commitments do not meet the legal requirement of an obligation. Since the GAO ruling, HUD has changed its obligation procedures. Commitments are no longer recorded as obligations in the two accounts but are maintained as unobligated balances.

The remaining $400 million in unobligated balances involved five accounts at two agencies (DOT and NASA). Funds were committed but not obligated for various reasons. Examples of some of those reasons follow.

The Congress fully funds all Amtrak capital projects through the DOT Federal Railroad Administration grant account. At the end of FY 1985, the unobligated balance in this account was $108 million. Amtrak cannot undertake a capital project unless it is provided in an appropriation law. However, once funds are appropriated, they remain available in the DOT grant account until a project is completed. The ending FY 1985 unobligated balance of $108 million in the DOT grant account represented funds that Amtrak's Board of Directors committed for obligation for capital projects but DOT did not yet obligate or disburse to Amtrak. DOT obligates and simultaneously disburses funds to Amtrak for capital projects upon Amtrak's request. However, when Amtrak's Board of Directors committed the funds,

contracts were executed, materials ordered, and other contractually binding actions were taken by Amtrak in anticipation of DOT disbursing appropriated funds. Thus, the $108 million in the DOT grant account represented unobligated balances for capital projects in various stages of completion--funds for procurements, agreements, and contracts authorized by the Board of Directors, which Amtrak is bound by law to honor.

In another example, the Coast Guard committed $49 million for specific projects such as construction and modification of ships and planes. Contract negotiations were still ongoing at year-end for these projects. Because no legally binding contract was entered into by fiscal year-end, the Coast Guard could not obligate the $49 million that was committed for these projects.

# GRANTEES' NONUSE OF ALLOCATED FUNDS

- INVOLVED 1 DOT ACCOUNT
- $994 MILLION IN UNOBLIGATED BALANCES IN FY 1985
- NO-YEAR FUNDS AVAILABLE UNTIL EXPENDED
- USE OF THESE FUNDS DEPENDED ON GRANTEES' APPLICATIONS
- AGENCY STUDIES IDENTIFIED POSSIBLE EXCESS FUNDS

## Grantees' Nonuse of Allocated Funds

At the end of FY 1985, the Formula Grant Program at the DOT's Urban Mass Transportation Administration (UMTA) had $994 million in unobligated balances which were from appropriations from FY 1982 or later. UMTA allocates these no-year funds to specific urbanized areas on the basis of a statutory formula which takes into account population and density and is contained in the Surface Transportation Assistance Act of 1982.

These allocations are included in UMTA's unobligated balance until the areas submit the required documentation to UMTA. In order for UMTA to obligate funds to an urbanized area, the urbanized area must submit an application and receive approval within 4 years from the time UMTA makes the allocation. If the applications are not submitted and approved within the time period, UMTA can reallocate the funds to other urban areas. The funds are available to pay the costs of

--capital projects such as bus purchases and subway construction,

--operating mass transportation systems, and

--planning transportation projects.

To date, many areas have not submitted the necessary application, thus creating the large unobligated balance. The majority of the unobligated funds--$706.5 million--have been allocated to urbanized areas with a population of one million or less. While accounting for a large part of the unobligated balance, these same areas, in the past, have received only a small share of total formula grant funds.

UMTA studied the reasons for the large unobligated balances and reported on possible excess funds. For example, in FY 1985, UMTA became concerned about the high level of unobligated balances allocated for operating assistance to mass transit services and surveyed its regional offices to determine the reasons for these large levels of unobligated balances. The survey included 31 areas with populations greater than 200,000. UMTA found that in 19 of the areas $49.5 million of the FY 1984 unobligated balances available for operating assistance were in excess of the needs of the areas. Some of the reasons cited in the UMTA study for not needing the funds included a profitable private transit operation, an unwillingness to increase the local share of funding the transit system, and transit systems that were too small to use the funds.

UMTA has also reported in the past that, on the basis of the statutory formula, some areas receive an allocation of grant funds even though they have no mass transit service, thus causing the nonuse of the grant funds. For example, in FY 1985, UMTA reported, on the basis of population and density data, the governors of 19 states received allocations of $21.4 million of FY 1984 formula funds for 40 areas even though these areas had no mass transit service. Allocations of $20.6 million in FY 1985 were also made for these same areas. The Formula Grant Program provides that, in the event of nonuse of allocations, the governors of these states have the flexibility to direct funds to areas that have transit service and are in need of funds. In a review of the program during FY 1984, we found that few transfers of the formula grant had taken place.[2] UMTA officials, however, believe that in recent years more transfers have occurred. UMTA officials also informed us that they had recommended changes in the allocation formula in the past to correct some of the above problems but the Congress did not accept such recommendations.

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[2]Urban Mass Transportation Administration's New Formula Grant Program: Operating Flexibility and Process Simplification (GAO/RCED-85-79, July 15, 1985)

# FULLY-FUNDED PROGRAMS NOT YET COMPLETED

- 3 ACCOUNTS TOTALING $851 MILLION AT 2 AGENCIES
- SOME VA AND DOT MULTIYEAR PROJECTS RECEIVED TOTAL FUNDING IN 1 YEAR
- OBLIGATIONS OCCURRED IN MORE THAN 1 YEAR, CAUSING YEAR-END UNOBLIGATED AMOUNTS

Fully-Funded Programs Not Yet Completed

Full funding accounted for $851 million of the FY 1985 unobligated balance at two agencies (VA and DOT) in three accounts that we reviewed. Full funding is a method in which budgetary resources to cover the total cost of a program or project are provided at the time the program or project is undertaken. At VA and DOT, the full funding occurred in construction projects which were completed in phases over a period of several years.

For example, during FY 1981 through FY 1985, full funding for major VA construction projects was provided when the projects were started. However, the design work for projects was completed before construction contracts were awarded and funds obligated. The design phase typically took 1 or 2 years or more to complete. While design work was ongoing, the funding for the construction phase of the project remained unobligated since the construction contract had not been awarded.

Another example at VA of full funding was "phased construction." Although this type of project was fully funded in many cases, VA awarded contracts for each phase of the construction separately and sequentially. Funds planned for later construction phases of the projects remained unobligated until ongoing construction phases were completed.

Full funding at VA in the major and minor construction accounts' FY 1985 unobligated balances accounted for $780 million out of the $851 million. VA, starting in FY 1985, received separate budgetary resources for its design work as opposed to construction work for its major construction projects. VA believes that funding and completing the design phase before funding the construction phase should lower its unobligated balances in this account.

Full funding accounted for $71 million of the FY 1985 unobligated balance for which we identified reasons at DOT. The account affected was the Coast Guard's Acquisition, Construction, and Improvement account. The amount was for construction projects which were fully funded. During the design phase of the projects, funding for the construction phase was not obligated.

# WORK FOR OTHERS NOT YET COMPLETED

- 5 ACCOUNTS TOTALING $721 MILLION AT 2 AGENCIES
- DOE AND NASA PERFORMED WORK FOR OTHERS THAT OFTEN EXCEEDED 1 YEAR
- FUNDS USED FOR MUCH OF THIS WORK BECAME NO-YEAR FUNDS

Work for Others Not Yet Completed

This reason represented $721 million in ending FY 1985 unobligated balances and involved five accounts at two agencies. The following three accounts comprised the majority of the $721 million:

--$430 million in DOE's Atomic Energy Defense Activities account;

--$145 million in NASA's Research and Development account; and

--$116 million in NASA's Space Flight, Control, and Data Communications account.

DOE and NASA provide products, services, or other items of value to customers such as other federal agencies, private companies, and state and foreign governments.

For the above DOE account, the Navy is DOE's primary customer. For example, $367 million of the $430 million ending FY 1985 unobligated balances related to DOE's nuclear reactor core work that was not completed by the end of the fiscal year.

NASA's unobligated balances of $261 million represent work orders from federal and nonfederal customers that are not yet started or started but not yet completed.

For the two NASA accounts listed above, 70 percent of the work NASA accepted during FY 1985 was for the Air Force and nonfederal entities such as state and foreign governments and private companies. The majority of this work relates to the space shuttle.

DOE's work for the Navy, such as fabricating nuclear reactor cores, fueling new reactor cores, and refueling existing reactor cores, can take up to 7 years to complete. The Navy funds provided to DOE are from appropriations which provide budgetary resources to cover the total cost of a program or project at the time it is undertaken. However, obligations for the entire program are not generally expected to be incurred during the initial year of funding. Consequently, unobligated balances are a natural part of this funding arrangement.

Federal funding for DOE and NASA work is from Navy and Air Force funds which must be obligated within limited time periods. For example, the Navy funds are available for obligation by the Navy for 3 or 5 years. The Air Force funds are available for obligation by the Air Force for 1 or 2 years. At the end of the period of availability, any unobligated balances must be returned to Treasury. By placing orders with DOE and NASA, the Navy and Air Force can obligate the funds, thus no longer making them subject to lapsing and turning them

into no-year funds. These amounts are also not included in the sequestrable base under the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings).

The unobligated balances related to work done for others in the three accounts above have increased over the last 4 fiscal years. The unobligated balances increased from $525 million to $691 million at the end of FY 1985. Of the $166 million increase, $146 million occurred in the two NASA accounts. The remaining $20 million occurred in the DOE account.

# OLD NO-YEAR APPROPRIATIONS UNSPENT

- INVOLVED 3 ACCOUNTS AT 2 AGENCIES
- DOT IDENTIFIED $92 MILLION IN UNUSED FUNDS ALLOCATED IN FY 1981 OR BEFORE
- THESE FUNDS DID NOT REVERT TO TREASURY
- NASA HAD $42 MILLION FROM FY 1977 AND PRIOR-YEAR APPROPRIATIONS
- MOST OF THESE FUNDS WERE FROM COMPLETED PROJECTS AND COULD BE USED CURRENTLY

Old No-Year Appropriations Unspent

DOT and NASA both had about $143 million of unobligated balances in which no-year funds had been appropriated in FY 1982 or prior years and had remained unobligated. Budget authority that remains available for obligation for an indefinite period of time is referred to as no-year funds. The DOT funds were in the Urban Mass Transportation Administration's (UMTA) Formula Grant account, while the NASA unobligated balances were in its Research and Development and its Construction accounts.

UMTA allocates most of the funds it receives for its Formula Grant account to urbanized areas by a formula established in the Surface Transportation Assistance Act of 1982. The specified areas have 4 years in which to apply for and receive the grant funds. If the areas do not meet this deadline, UMTA reallocates the funds because they are no-year funds and are available to UMTA "until expended." If the funds had been available only for the 4-year period, they would have reverted to Treasury, not UMTA. At the end of FY 1984, UMTA had identified $92 million of funds subject to reallocation from appropriations which dated back from FY 1981 and prior years. However, UMTA officials reported that because of inadequate accounting records, UMTA did not reallocate these funds until the last day of FY 1985. In FY 1986, UMTA reallocated $17.2 million from the FY 1982 and prior-years appropriations.

NASA currently has 2 years to obligate its research and development funds. In the past, these funds were available "until expended" (i.e., NASA received no-year funding) in the Research and Development account. The change from no-year to 2-year funding for NASA's Research and Development account occurred in FY 1978. The Congress initiated this change in an effort to exercise greater control over NASA funds.

NASA's FY 1985 Research and Development account had a $552 million unobligated balance which contained $42 million of funds which had been appropriated in FY 1977 and prior years when NASA received no-year funding. These funds were not needed for completed projects and were available to be used elsewhere to fulfill planned program requirements.

In another example, NASA has 3 years to obligate its construction funds. However, a provision in NASA's appropriation act allows NASA to convert its 3-year money to no-year money after the start of any activity except (1) repair, (2) rehabilitation and modification of facilities, (3) minor construction of new facilities, (4) additions to existing facilities, and (5) facility planning and design. As a result of this provision, NASA had $9 million in unobligated, no-year construction funds as of the end of FY 1985. This $9 million was from FY 1982 and prior years. However, NASA obligated most of these funds early in FY 1986.

# INFLATION LOWER THAN ESTIMATED

- INVOLVED 2 ACCOUNTS TOTALING $216 MILLION AT 2 AGENCIES
- PART OF THE $216 MILLION WAS USED TO OFFSET FY 1986 PROGRAM REQUIREMENTS
- AMOUNTS FOR INFLATION WERE NOT ALWAYS IDENTIFIED IN BUDGET REQUESTS OR IN CONGRESSIONAL APPROPRIATIONS

Inflation Lower Than Estimated

In FY 1985, unobligated balances of $216 million existed at 2 agencies because requested budget authority was based on estimates of inflation that were higher than the actual inflation:

--$193 million in VA's Major Construction account; and

--$23 million in DOT's Coast Guard Acquisition, Construction, and Improvement account.

Officials had to identify these amounts because a lack of data prevented us from identifying the precise amount of unobligated balances due to actual inflation being lower than amounts budgeted for inflation. We previously reported that information gaps existed on inflation. On March 20, 1986, we issued a report entitled Budget Issues: Budgeting for Inflation in Selected Civil Accounts (GAO/AFMD-86-34BR). We reported that:

--Except for accounts with line items for inflation, the amount requested by an agency for inflation cannot be identified.

--Amounts appropriated for inflation are not usually identified in congressional appropriations.

The VA Major Construction account is for projects to construct, alter, and improve VA facilities. Projects usually take several years to complete, during which time VA makes obligations and outlays. However, the Congress appropriates funds to cover the total cost of a project before a project starts. The appropriations are based on VA estimates which include an allowance for inflation because projects usually take more than 1 year to complete. If actual inflation is lower than estimated, not all funds will be obligated and spent.

VA officials estimated that $193 million in ending FY 1985 unobligated balances existed primarily because actual inflation for projects was lower than they estimated. They also said that their records do not segregate inflation savings. After completion of a project contract, savings, if any, are transferred to a working reserve account. (See footnote 4 on page 86 for a description of this account.) They stated that about $180 million was used from the working reserve account to offset FY 1986 budget request in the Major Construction account.

DOT's Coast Guard Acquisition, Construction, and Improvement account provides funds to acquire, construct, rebuild, and improve aids to navigation, shore facilities, vessels, and aircraft. This account provided funds to acquire a new class of Coast Guard cutters. Because the acquisition took

over 1 year to complete, the DOT budget estimate for the cutters included an allowance for inflation. However, DOT officials told us that this resulted in $23 million in unobligated balances at the end of FY 1985 because actual inflation for this acquisition was lower than estimated.

DOT did not comingle the $23 million and, therefore, was able to identify its disposition. A DOT official told us that the $23 million in ending FY 1985 unobligated balances was used to offset the FY 1986 budget request.

# MORE FUNDS RECEIVED THAN REQUESTED

- INVOLVED 1 COAST GUARD ACCOUNT AT DOT
- $97 MILLION IN UNOBLIGATED BALANCES IN FY 1985
- IN FISCAL YEARS 1982 AND 1984, THE CONGRESS TRANSFERRED FUNDS FROM DOD TO DOT, CAUSING LARGE UNOBLIGATED BALANCES

## More Funds Received Than Requested

This reason involved one Coast Guard account at DOT that funds capital improvements, including aircraft procurements as well as cutter acquisitions, renovation, and modernization. The Coast Guard's Acquisition, Construction, and Improvement account in FY 1985 had $97 million in unobligated balances attributable to two transfers from the Department of Defense (DOD). Both of these transfers were congressionally directed and a Coast Guard official stated that the Coast Guard had not submitted budget requests for these funds and that the transfers were unanticipated. The Congress transferred the funds to address critical shortfalls in the Coast Guard's vessel, aircraft, and equipment requirements. The funds were also provided to help address requirements associated with the expanded national drug interdiction efforts.

The first transfer was provided by the Department of Defense Appropriation Act, 1982, (Public Law 97-114) and provided for the transfer of $300 million from Navy's shipbuilding and conversion account to the Coast Guard. At the end of FY 1982, $187.2 million of the $300 million transferred was not obligated. Coast Guard officials attributed this large unobligated balance in part to the fact that decisions regarding projects and their executions had not been finalized at the time of the transfer. Because plans were incomplete, some Coast Guard projects took long periods of time in which to obligate funds. For example, it took the Coast Guard nearly 3 fiscal years--from FY 1982 to almost the end of FY 1984--to obligate the $41 million for its Caribbean Patrol boats. At the end of FY 1985, $16.9 million remained unobligated from the first transfer.

The second transfer was provided by the Department of Defense Appropriation Act, 1984, (Public Law 98-212) and provided for the transfer of $300 million from DOD procurement funds to the Coast Guard. At the end of FY 1984, $178 million of the $300 million transferred was not obligated. In testimony before the Senate Appropriations Committee, the Coast Guard said the slowness in obligating funds was partly because final agreement on projects was not reached until mid-FY 1984. This delayed the timely award of contracts and the obligation of funds. At the end of FY 1985, $80.3 million remained unobligated. Of this unobligated balance, the largest part was for one project--$16.9 million for a new system to tie down helicopters on Coast Guard vessels. Coast Guard officials attributed this project's large unobligated balance to the delay required by the redesign of the flight deck on the Coast Guard's vessel to accommodate this new tie-down system.

Increasing unobligated balances from FY 1980 through FY 1984 was also noted in our July 1985 report on the Coast Guard's

procurement process.[3] We concluded that problems existed in all phases of the Coast Guard's acquisition cycle:

--identifying the types of items that should be procured for meeting mission responsibilities,

--procuring those items, and

--managing the items once procured.

We came to this conclusion on the basis of our analysis of 60 audit and investigative reports done over the last 6 years by DOT, GAO, and other organizations. To address many of the deficiencies cited in these audit reports, the Coast Guard reorganized its acquisition function by creating an Office of Acquisition in January 1986.

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[3] GAO's Analysis of Audit and Investigative Reports Concerning U.S. Coast Guard Procurement (GAO/RCED-85-144, July 16, 1985).

# OBLIGATION RATES

## *ADJUSTED CIVIL AGENCIES*
*(in percent)*

| | FY81 | FY82 | FY83 | FY84 | FY85 |
|---|---|---|---|---|---|
| VA | 93.4 | 92.7 | 93.5 | 93.9 | 93.9 |
| NASA | 92.0 | 90.7 | 90.2 | 88.6 | 90.3 |
| DOT | 89.4 | 87.1 | 86.1 | 84.3 | 81.6 |
| DOE | 85.7 | 91.5 | 90.3 | 87.0 | 89.6 |
| HUD | 65.5 | 67.1 | 71.0 | 66.6 | 57.4 |

- **VA, NASA, DOT, and DOE rates were more stable**
- **DOT rates declined since FY 1981, HUD since FY 1983**

Obligation Rates

An agency's obligation rate is computed by dividing obligations in a given year by the total amount of funds available for obligation in that year. Total funds available for obligation are made up of the sum of beginning unobligated balances, new budget authority and collections, and recoveries of prior-year obligations, plus (or minus) net transfers of unobligated balances. Table III.4 presents obligation data on our five selected agencies which were used to compute the obligation rates on page 58.

Table III.4: Obligation Data

| Agency | FY 1981 | FY 1982 | FY 1983 | FY 1984 | FY 1985 |
|---|---|---|---|---|---|
| | --------- | --------- | (millions) | --------- | --------- |
| VA | | | | | |
| Obligations | $23,119 | $24,908 | $25,677 | $26,133 | $26,834 |
| Total funds available | 24,761 | 26,871 | 27,464 | 27,828 | 28,566 |
| NASA | | | | | |
| Obligations | 6,313 | 6,807 | 7,782 | 8,365 | 9,368 |
| Total funds available | 6,863 | 7,503 | 8,623 | 9,444 | 10,375 |
| DOT | | | | | |
| Obligations | 13,853 | 11,748 | 11,741 | 12,016 | 10,638 |
| Total funds available | 15,500 | 13,487 | 13,644 | 14,249 | 13,030 |
| DOE | | | | | |
| Obligations | 12,820 | 14,152 | 15,420 | 16,932 | 18,211 |
| Total funds available | 14,952 | 15,464 | 17,067 | 19,460 | 20,314 |
| HUD | | | | | |
| Obligations | 13,479 | 12,336 | 10,344 | 8,862 | 7,561 |
| Total funds available | 20,572 | 18,385 | 14,567 | 13,314 | 13,176 |

On the basis of the above data, we computed the obligation rates on an adjusted basis for the five agencies we selected for review. (See pages 9-11.) We then computed the percentage change in obligation rates for each year of our review to determine the stability of the rates. Since there was no agreed-to standard of stability for obligation rates, we chose a plus or minus 10 percent change as our criterion. We considered a change in rates of 10 percent or less, either positive or negative, more stable, and a change greater than 10 percent, either positive or negative, less stable.

Using our criterion, VA, NASA, DOT, and DOE all had more stable obligation rates. Percentage changes in adjusted rates for each year were all under plus or minus 10 percent for these four agencies. Table III.5 presents the annual percentage change in our selected agencies' obligation rates.

Table III.5: Percentage Change in Obligation Rates

| Agency | FY 1982 | FY 1983 | FY 1984 | FY 1985 |
|---|---|---|---|---|
| VA | -0.7 | 0.9 | 0.4 | NC |
| NASA | -1.4 | -0.6 | -1.8 | 1.9 |
| DOT | -2.6 | -1.1 | -2.1 | -3.2 |
| DOE | 6.8 | -1.3 | -3.7 | 3.0 |
| HUD | 2.4 | 5.8 | -6.2 | -13.8 |

The more stable obligation rates meant that the relationship between annual obligations and total funds available for obligation was relatively constant. For VA and NASA, total adjusted obligations and funds available for obligation both increased by approximately equal amounts: 16 percent and 51 percent, respectively. In the case of DOE, obligations increased 42.1 percent, from $12,820 million to $18,211 million, and funds available increased 35.9 percent, from $14,952 million to $20,314 million. For DOT, rates declined since FY 1981. Obligations decreased 23.2 percent from $13,853 million to $10,638 million, while funds available decreased 15.9 percent, from $15,500 million to $13,030 million.

HUD adjusted obligation rates were less stable during one year of our review. The rate decreased 13.8 percent in FY 1985. In addition, HUD's rates showed a declining trend since FY 1983, from 71.0 percent to 57.4 percent in FY 1985, a decline of 19.2 percent. The declining trend was the result of a 26.9 percent decline in obligations, from $10,344 million to $7,561 million, compared with a 9.5 percent decline in total available funds.

We also computed obligation rates for HUD with the obligations and total funds available of two accounts we analyzed during our review and added back to the adjusted amounts. These accounts were the Annual Contributions for Assisted Housing and the Low Rent Public Housing accounts. (See page 10.) A comparison of these readjusted rates and HUD's adjusted rates follows.

Table III.6: HUD Adjusted and Readjusted Obligation Rates

| Fiscal year | HUD adjusted | HUD readjusted |
|---|---|---|
| | ---------(percent)------- | |
| 1981 | 65.5 | 76.5 |
| 1982 | 67.1 | 39.6 |
| 1983 | 71.0 | 36.3 |
| 1984 | 66.6 | 29.2 |
| 1985 | 57.4 | 37.0 |

The large drop in the readjusted rates between FY 1981 and FY 1982 reflects our 1982 ruling which stated that a signed contract, rather than an administrative commitment, was the point of obligation. As a result, administrative commitments prior to the ruling were included as obligations in computing the obligation rate. After the ruling, administrative commitments were considered to be unobligated funds and, therefore, not included in the computation.

HUD's readjusted obligation rates were also less stable. The annual percentage change in obligation rates, excluding FY 1982 because of the change in recording obligations, was -8.3 percent in FY 1983, -19.6 percent in FY 1984, and 26.7 percent in FY 1985.

# SPENDOUT RATES

## *ADJUSTED CIVIL AGENCIES*
## *(in percent)*

| | FY81 | FY82 | FY83 | FY84 | FY85 |
|---|---|---|---|---|---|
| VA | 81.7 | 79.7 | 80.7 | 80.7 | 80.5 |
| NASA | 67.2 | 67.4 | 67.0 | 65.3 | 62.0 |
| DOT | 47.1 | 43.1 | 41.3 | 49.4 | 40.9 |
| DOE | 51.9 | 53.2 | 50.4 | 48.3 | 48.7 |
| HUD | 21.4 | 21.0 | 26.4 | 27.9 | 25.8 |

- **VA, NASA, and DOE rates were more stable**
- **DOT and HUD rates were less stable**
- **NASA and DOT rates showed a declining trend**

## Spendout Rates

An agency's spendout rate is computed by dividing outlays in a given year by the total amount of funds available for outlay in that year. Total funds available for outlay are made up of the sum of beginning unexpended balances, new budget authority and collections, minus recoveries of prior-year obligations, plus (or minus) net transfers of unobligated balances. Table III.7 presents spendout data on our five selected agencies.

Table III.7: Spendout Data

| Agency | FY 1981 | FY 1982 | FY 1983 | FY 1984 | FY 1985 |
|---|---|---|---|---|---|
| | (millions) | | | | |
| VA | | | | | |
| Outlays | $22,182 | $23,389 | $24,347 | $24,895 | $25,643 |
| Total funds available | 27,157 | 29,362 | 30,175 | 30,867 | 31,867 |
| NASA | | | | | |
| Outlays | 5,426 | 6,035 | 6,664 | 7,048 | 7,251 |
| Total funds available | 8,075 | 8,960 | 9,945 | 10,790 | 11,696 |
| DOT | | | | | |
| Outlays | 11,902 | 10,297 | 9,874 | 11,863 | 8,980 |
| Total funds available | 25,251 | 23,892 | 23,929 | 24,015 | 21,978 |
| DOE | | | | | |
| Outlays | 10,903 | 11,316 | 11,817 | 12,546 | 13,245 |
| Total funds available | 21,013 | 21,253 | 23,445 | 25,965 | 27,192 |
| HUD | | | | | |
| Outlays | 7,964 | 7,467 | 7,333 | 7,142 | 5,707 |
| Total funds available | 37,224 | 35,568 | 27,753 | 25,578 | 22,154 |

On the basis of the above data, we computed the spendout rates on an adjusted basis for the five agencies we selected for review (See pages 9-11.) We then computed the percentage change in spendout rates for each year of our review to determine the stability of the rates. Since there was no agreed-to standard of stability for spendout rates, we chose a plus or minus 10 percent change as our criterion. We considered a change in rates of 10 percent or less, either positive or negative, more stable, and a change greater than 10 percent, either positive or negative, less stable.

Using our criterion, VA, NASA, and DOE had more stable spendout rates. Percentage changes were all under 10 percent

each year for these three agencies. Table III.8 presents the annual percentage change in our selected agencies' spendout rates.

Table III.8: Percentage Change in Spendout Rates

| Agency | FY 1982 | FY 1983 | FY 1984 | FY 1985 |
|---|---|---|---|---|
| VA | -2.4 | 1.3 | NC | -0.2 |
| NASA | 0.3 | -0.6 | -2.5 | -5.1 |
| DOT | -8.5 | -4.2 | 19.6 | -17.2 |
| DOE | 2.5 | -5.3 | -4.2 | 0.8 |
| HUD | -1.9 | 25.7 | 5.7 | -7.5 |

More stable spendout rates meant that the relationship between annual outlays and total funds available was relatively constant. For VA, both outlays and total available funds grew approximately 16 percent, from $22,182 million to $25,643 million for outlays and from $27,157 million to $31,867 million for total funds available . In NASA's case, outlays and total funds available both grew more than one third, but because total funds available grew at a faster rate, 45 percent compared to 34 percent for outlays, NASA showed a declining yet more stable trend in its spendout rate. For DOE, outlays increased 22 percent, from $10,903 million to $13,245 million, while total funds available grew 29 percent, from $21,013 million to $27,192 million.

DOT and HUD had less stable spendout rates for 3 years during our review. For DOT, the percentage change exceeded plus or minus 10 percent in FY 1984 and FY 1985. For HUD, the percentage change exceeded 10 percent in FY 1983. DOT rates, in addition to being less stable, showed a declining trend between FY 1981 and FY 1985. Generally, DOT rates dropped steadily, from 47.1 percent to 40.9 percent during this period. This was the result of outlays decreasing almost twice as fast as total funds available. DOT outlays decreased 25 percent, from $11,902 million to $8,980 million, while total funds available decreased only 13 percent, from $25,251 million to $21,978 million. An exception to the trend occurred in FY 1984 when the rate jumped to 49.4 percent from 41.3 percent. The primary reasons for this were (1) a onetime expenditure to retire Amtrak long-term debt and (2) the lack of appropriated trust funds for the Federal Aviation Administration's operations and maintenance activities which would have offset outlays. Both these events had the effect of increasing outlays and, thus, the spendout rate.

HUD's less stable rate was the result of a decline in outlays of 28 percent ($7,964 million to $5,707 million) and a decline in total funds available of 41 percent ($37,224 million to $22,154 million). HUD's spendout rates, like its obligation rates, were relatively low compared to those of our other selected agencies. The long-term nature of many of the projects in HUD's Community Planning and Development programs was the primary reason for this. When HUD's readjusted rates were calculated (adding back the Annual Contributions for Assisted Housing and the Low-Rent Public Housing accounts to the adjusted totals), the rates dropped further. A comparison of adjusted and readjusted rates follows.

Table III.9: HUD Adjusted and Readjusted Spendout Rates

| Fiscal year | HUD adjusted | HUD readjusted |
|---|---|---|
| | (percent) | |
| 1981 | 21.4 | 4.7 |
| 1982 | 21.0 | 4.8 |
| 1983 | 26.4 | 5.2 |
| 1984 | 27.9 | 5.8 |
| 1985 | 25.8 | 9.8 |

These low rates for HUD's readjusted agency totals reflected the nature of HUD's subsidized housing programs, where budget authority for subsidy payments is outlayed over periods of up to 40 years. The increase in the spendout rate between FY 1984 and FY 1985, from 5.8 to 9.8 percent, is the result of onetime outlays for direct loans to public and Indian housing authorities to redeem outstanding short-term notes whose tax-exempt status was rescinded by a 1984 Internal Revenue Service ruling.

HUD's readjusted spendout rates were less stable in FY 1984 and FY 1985. The annual percentage change in spendout rates was 2.1 percent in FY 1982, 8.3 percent in FY 1983, 11.5 percent in FY 1984, and 69.0 percent in FY 1985.

# CHANGE IN OBLIGATED AND UNOBLIGATED BALANCES

## *FOR ADJUSTED CIVIL AGENCIES*

| Fiscal Year | Obligated | Unobligated |
|---|---|---|
| 1981-1982 | -3.8% | 18.9% |
| 1982-1983 | -0.6% | 24.1% |
| 1983-1984 | 3.1% | 35.7% |
| 1984-1985 | 3.6% | 10.9% |

- **Obligated balances have grown at a much slower rate than unobligated balances**

## Change in Obligated and Unobligated Balances

We analyzed the growth of the obligated and unobligated balances for the adjusted civil agencies (see page 19) and found that the obligated balances had grown at a slow rate--2 percent--from FY 1981 to FY 1985. However, the unobligated balances over the same period have grown at a much faster rate--122 percent. The annual percentage growth rates show that the unobligated balances have grown at a much faster rate than obligated balances for every year in the period. For example, from FY 1981 to FY 1985 the annual percentage growth in unobligated balances ranged from 10.9 percent to 35.7 percent. On the other hand, the annual change in obligated balances ranged from a 3.8 percent decrease to a 3.6 percent increase during FY 1981 to FY 1985. The unobligated balance growth accounted for most of the increase in unexpended balances for the period. Of the $21.5 billion increase from FY 1981 through FY 1985 in the adjusted civil agencies' unexpended balances, $18.9 billion was due to the increase in unobligated balances. Therefore, as discussed in appendix I, we concentrated our work on documenting the reasons for unobligated balances.

We also decided to concentrate on unobligated balances because we found several ongoing or recently completed studies of obligations at the agencies we visited. The following section describes some of these studies.

# SUMMARY OF AGENCY OBLIGATION STUDIES

- UMTA IS REVIEWING $787 MILLION OF OBLIGATIONS MADE BEFORE 9/30/83 FOR POSSIBLE DEOBLIGATION
- AN ONGOING REVIEW OF DOE HEADQUARTERS OBLIGATIONS FOUND THAT HEADQUARTERS OFFICIALS ARE NOT DEOBLIGATING IN A TIMELY MANNER
- AUDITS OF TWO DOE REGIONAL OFFICES FOUND ONLY $900,000 THAT COULD HAVE BEEN DEOBLIGATED
- A FY 1985 NASA AUDIT FOUND PROCEDURES FOR MANAGING ITS OBLIGATIONS WERE GENERALLY ADEQUATE

Summary of Agency Obligation Studies

We found several ongoing or recently completed studies of obligations at the agencies we visited. Below is a summary of several of these studies.

DOT

UMTA is reviewing its obligated balances which includes $787 million of obligations made before September 30, 1983, for possible deobligation. The Administrator of UMTA requested the study. UMTA expects to complete this study in September 1986. UMTA is exploring these basic areas:

--a comparison of its transit construction schedules against a construction industry "normal" construction scenario,

--the reasons for UMTA's long time lag between the point of federal obligation for transit capital projects and the first drawdown by the grantee, and

--the reasons why so many UMTA projects are not closed out properly.

DOE

DOE has contracted for an ongoing review of its headquarters obligations. This review is of a sample of contracts representing $59.1 million of the $87.6 million with no activity in FY 1985. The major findings have been that:

--DOE headquarters officials were not deobligating excess funds in a timely manner.

--There were $56.2 million in invalid obligations. A major portion of this amount was a loan guarantee for $42.3 million.

--The accounting records could not be reconciled to the procurement documents for 6 of the 15 sample items.

Audits by private contractors of obligations at the DOE San Francisco and Chicago offices found that:

--At San Francisco, out of 30 contracts and 28 grants with a value of $8.2 million (meeting study criteria of contracts and grants with a value of $50,000 or more with no activity for at least one year at the end of FY 1985), one contract with an obligated balance of $180,000 should have been deobligated.

--At Chicago, out of 12 contracts and 65 grants (meeting study criteria of no activity for at least one year at the end of FY 1985) and balances of $100,000 or more totaling $13.3 million, four contracts totaling $720,000 should have been deobligated.

NASA

A FY 1985 NASA inspector general audit of the Johnson Space Center's obligations of $11.4 million as of January 1985 found procedures for managing these obligations were generally adequate. However, the inspector general concluded that improvements were needed in

--the contract closeout process,

--documenting contract closeouts,

--identifying and reporting closed contracts, and

--purchase order closeouts.

# APPENDIX IV

- **REASONS AND AMOUNTS FOR UNOBLIGATED BALANCES AT 5 SELECTED CIVIL AGENCIES**
- **ANALYSIS OF REASONS NOT DISCUSSED IN APPENDIX III**

Table IV.1: Reasons and Amounts for Unobligated Balances at NASA, FY 1985

(dollars in millions)

| Account type | R&D | Pro | Con | Total |
|---|---|---|---|---|
| Account title | 1 | 2 | 3 | |
| **Reasons** | | | | |
| **Agency actions** | | | | |
| Reserve/set aside | $ 16 | $ 4 | $33 | $ 53 |
| Transfers and reprogrammings | 8 | | 8 | 16 |
| Delay in design or construction changes | 10 | | | 10 |
| Delay in awarding contracts | | | | |
| Contract dispute | | 2 | | 2 |
| Delay in fund commitment process | | | | |
| Project cancellation | | | | |
| Funds committed but not yet obligated | 171 | 61 | 15 | 247 |
| Underestimated costs | | | 14 | 14 |
| Inability to spend disapproved deferral | | | | |
| **Funding methods** | | | | |
| No-year funding | | | | |
| Fully-funded programs not yet completed | | | | |
| Multiyear funding | 33 | 64 | 9 | 106 |
| Work for others not yet completed | 145 | 116 | 7 | 268 |
| Revolving fund | | | | |
| **Other reasons** | | | | |
| Old no-year appropriations unspent | 42 | | 9 | 51 |
| Grantees' nonuse of allocated funds | | | | |
| Projects canceled for various reasons | | | | |
| **Economic conditions** | | | | |
| Inflation lower than estimated | | | | |
| Actual costs lower than estimated | | | | |
| **Congressional actions** | | | | |
| Erratic appropriations | 40 | | | 40 |
| More funds received than requested | | | | |
| Additional program review | 11 | | | 11 |
| **Executive actions** | | | | |
| Deferrals | | | | |
| Total for identified reasons | $476 | $247 | $95 | $818 |
| Total unobligated balance | $552 | $265 | $95 | $912 |

Account types
R&D - research and development
Pro - procurement
Con - construction

Account titles
(1) Research and Development
(2) Space flight, Control, and Data Communications
(3) Construction of Facilities

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

The three accounts of NASA which we examined had a total unobligated balance of $912 million in FY 1985. We identified the reasons for $818 million, or 90 percent, of that amount. The three accounts were: Research and Development; Space Flight, Control, and Data Communications; and Construction of Facilities. The reasons and the associated dollar amounts are shown in table IV.1. Highlights of the reasons attributed to the unobligated balances in these NASA accounts were as follows.

Agency Actions

Actions taken by agency management accounted for $342 million, or about 42 percent, of the $818 million in unobligated balances for which we identified reasons.

Of the $342 million, $247 million was attributable to NASA's commitment process whereby funds are committed but not yet obligated for specific purposes prior to entering into a formal contract.

We identified $53 million of the unobligated balances in this category, which was attributable to NASA's policy of maintaining reserves for contingencies for most of its projects. According to NASA officials, these reserves cover uncertainties that may occur during the completion of a project and range from 2 percent to 15 percent of project funds. It is likely that additional reserves are in the $106 million balance in multiyear funding.

Funding Methods

Funding methods accounted for $374 million, or about 46 percent, of NASA's $818 million in unobligated balances for which we identified reasons.

Work NASA does for federal (such as DOD) and nonfederal (such as private companies, and state and foreign governments) entities accounted for $268 million of the $374 million unobligated balance in the funding methods category. (See page 45.)

Multiyear funding, the other reason we identified for NASA's unobligated balances under the category of funding methods, represents budget authority that is available for obligation for a specified period of time in excess of 1 fiscal year. NASA's R&D and procurement funds are available for obligation over a 2-year period, while its construction funds are available for 3 years. Multiyear funding accounted for $106 million of the $374 million unobligated balance in the funding methods category.

Congressional Actions

Congressional actions accounted for $51 million, or about 6 percent, of the $818 million in unobligated balances for which we could identify reasons. Forty million dollars of the $51 million was due to a supplemental appropriation approved in August 1985, with the public law stating that the funds were not available for obligation until March 1986. As a result, the $40 million was recorded as an unobligated balance at the end of FY 1985.

Table IV.2: Reasons and Amounts for Unobligated Balances at Energy, FY 1985

(dollars in millions)

| Account type | R&D | R&D | R&D | R&D | Con | Total |
|---|---|---|---|---|---|---|
| Account title | 4 | 5 | 6 | 7 | 8 | |
| Reasons | | | | | | |
| Agency actions | | | | | | |
| Reserve/set aside | $ | $ 2 | $ | $215 | $ 25 | $ 242 |
| Transfers and reprogrammings | | | | | | |
| Delay in design or construction changes | 88 | | | | | 88 |
| Delay in awarding contracts | | 16 | | | | 16 |
| Contract dispute | | | | | | |
| Delay in fund commitment process | | | | | | |
| Project cancellation | | 5 | | | | 5 |
| Fund committed but not yet obligated | | | | | | |
| Underestimated costs | | | | | | |
| Inability to spend disapproved deferral | | | | | 257 | 257 |
| Funding methods | | | | | | |
| No-year funding | 28 | | 6 | | | 34 |
| Fully-funded programs not yet completed | | | | | | |
| Multiyear funding | | | | | | |
| Work for others not yet completed | 430 | | 23 | | | 453 |
| Revolving fund | | | | | | |
| Other reasons | | | | | | |
| Old no-year appropriations unspent | | | | | | |
| Grantees' nonuse of allocated funds | | | | | | |
| Projects canceled for various reasons | | | 41 | | | 41 |
| Economic conditions | | | | | | |
| Inflation lower than estimated | | | | | | |
| Actual costs lower than estimated | | | | | 21 | 21 |
| Congressional actions | | | | | | |
| Erratic appropriations | | | | | | |
| More funds received than requested | | | | | | |
| Additional program review | | | | | | |
| Executive actions | | | | | | |
| Deferrals | | 15 | 15 | | | 30 |
| Total for identified reasons | $546 | $38 | $85 | $215 | $303 | $1,187 |
| Total unobligated balance | $576 | $56 | $94 | $221 | $307 | $1,254 |

Account types
R&D - research and development
Con - construction

Account titles
(4) Atomic Energy Defense Activities
(5) Fossil Energy R&D
(6) Energy Supply, R&D Activities
(7) Uranium Supply & Enrichment Activities
(8) Strategic Petroleum Reserve

DEPARTMENT OF ENERGY

The five DOE accounts we examined had a total unobligated balance for FY 1985 of $1,254 million. We determined reasons for $1,187 million, or 95 percent, of that amount. The accounts were: Atomic Energy Defense Activities; Fossil Energy Research and Development; Energy Supply, Research and Development Activities; Uranium Supply and Enrichment Activities; and Strategic Petroleum Reserve. The reason and associated dollar amounts are shown in table IV.2. Highlights of the reasons attributed to the unobligated balances in these DOE accounts were as follows.

Agency Actions

Agency actions accounted for $608 million, or 51 percent, of DOE's $1,187 million in unobligated balances for which we could identify reasons.

The inability to spend funds that were proposed to be deferred represented $257 million of the unobligated balance in the agency actions category. On February 6, 1985, the President submitted a proposed deferral of approximately $257 million for the Strategic Petroleum Reserve account. The Congress disapproved the proposed deferral on August 15, 1985. OMB released the funds on September 14, 1985, but DOE officials told us they were unable to obligate the funds before the end of the fiscal year.

The reserve/set aside reason represented $242 million of the $608 million unobligated balance in the agency actions category. We included in this reason agency actions to put aside funds to meet anticipated and unanticipated future program and/or project requirements. The Uranium Supply and Enrichment Activities account contained $215 million of the total reserve/set aside of $242 million. Of this amount, $200 million was set aside to comply with Public Law 99-141. This law required DOE to transfer $200 million from the Uranium Supply and Enrichment Activities account to DOE's Energy Supply, Research and Development Activities account. The remaining $15 million was set aside to comply with Public Law 99-88. This law required DOE to transfer $15 million from the Uranium Supply and Enrichment Activities account to DOE's Geothermal Resources Development Fund account. The $215 million was available primarily because DOE purchased less electric power than was budgeted for.

The delay in design or construction changes reason represented $88 million of the $608 million unobligated balance in the agency actions category. In the Atomic Energy Defense Activities account, approximately $88 million remained unobligated because changes were made to the design of a construction project, which reduced its estimated cost. However, for separate reasons, construction of the project was also delayed.

Funding Methods

Funding methods accounted for $487 million, or 41 percent, of DOE's $1,187 million in unobligated balances for which we could identify reasons.

Work that DOE does for others (such as other federal agencies, private companies, and state and foreign governments) represented $453 million of the $487 million unobligated balance in the funding methods category. The majority of this work is done for the U.S. Navy. (See page 45.)

The remaining $34 million in the funding methods category represented no-year funding. The Atomic Energy Defense Activities account contained approximately $28 million because of no-year funding. This amount represented funds for ongoing and/or completed construction projects. DOE did not obligate the funds during FY 1985, and, because they were no-year funds, they were carried over to FY 1986. The Energy Supply, Research and Development Activities account contained $6 million of unobligated balances also because of no-year funding. This amount represented funds for ongoing and/or completed construction projects that DOE did not obligate during FY 1985.

Other Reasons

Other reasons accounted for $41 million, or about 3 percent, of DOE's $1,187 million in unobligated balances for which we identified reasons.

The Energy Supply, Research and Development Activities account contained approximately $41 million due to projects that were canceled for various reasons. For example, the Congress did not fund a project in FY 1984; therefore, DOE canceled the project. In another case, DOE canceled a project because utility companies withdrew funding.

Economic Conditions

Economic conditions accounted for $21 million, or about 2 percent, of DOE's $1,187 million in unobligated balances for which we could identify reasons.

The Strategic Petroleum Reserve account contained $20.5 million because contracts were awarded at costs lower than had been budgeted for. This occurred because DOE received lower bids than anticipated.

Executive Actions

Executive actions accounted for $30 million, or about 3 percent, of DOE's $1,187 million unobligated balances for which we could identify reasons.

Pursuant to the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344), the President may temporarily withhold or delay the obligation or expenditure of budget authority. When this action, known as a deferral, is taken, the Congress must be notified.

The Fossil Energy Research and Development account contained approximately $15 million due to presidential deferrals that were in effect at the end of FY 1985. The Energy Supply, Research and Development Activities account contained approximately $15 million also due to presidential deferrals that were in effect at the end of FY 1985.

Table IV.3: Reasons and Amounts for Unobligated Balances at Transportation, FY 1985

(dollars in millions)

| Account type | Oth | Oth | Pro | Total |
|---|---|---|---|---|
| Account title | 9 | 10 | 11 | |
| **Reasons** | | | | |
| Agency actions | | | | |
| Reserve/set aside | $ | $ | $ | $ |
| Transfers and reprogrammings | | | | |
| Delay in design or construction changes | | | | |
| Delay in awarding contracts | | | 73 | 73 |
| Contract dispute | | | | |
| Delay in fund commitment process | | | | |
| Project cancellation | | | | |
| Funds committed but not yet obligated | | 108 | 49 | 157 |
| Underestimated costs | | | | |
| Inability to spend disapproved deferral | | | | |
| Funding methods | | | | |
| No-year funding | | | | |
| Fully-funded programs not yet completed | | | 71 | 71 |
| Multiyear funding | | | | |
| Work for others not yet completed | | | | |
| Revolving fund | | | | |
| Other reasons | | | | |
| Old no-year appropriations unspent | 92 | | | 92 |
| Grantees' nonuse of allocated funds | 994 | | | 994 |
| Projects canceled for various reasons | | | | |
| Economic conditions | | | | |
| Inflation lower than estimated | | | 23 | 23 |
| Actual costs lower than estimated | | | | |
| Congressional actions | | | | |
| Erratic appropriations | | | 28 | 28 |
| More funds received than requested | | | 97 | 97 |
| Additional program review | | | | |
| Executive actions | | | | |
| Deferrals | | | | |
| Total for identified reasons | $1,086 | $108 | $341 | $1,535 |
| Total unobligated balance | $1,086 | $108 | $411 | $1,605 |

Account types
Oth - other
Pro - procurement

Account titles
(9) Urban Mass Transportation Administration Formula Grants
(10) Federal Railroad Administration grants to Amtrak
(11) Coast Guard Acquisition, Construction, and Improvements

## DEPARTMENT OF TRANSPORTATION

The three DOT accounts we examined had a total unobligated balance for FY 1985 of $1,605 million. We identified the reasons for $1,535 million, or about 96 percent, of that amount. The accounts were: Urban Mass Transit Authority (UMTA) formula grants, Federal Railroad Administration grants to the National Railroad Passenger Corporation (Amtrak), and Coast Guard Acquisition, Construction, and Improvements. The reasons and the associated dollar amounts are shown in table IV.3. Highlights of the reasons attributed to the unobligated balances in these DOT accounts follow.

### Agency Actions

Agency actions caused $230 million, or about 15 percent, of the unobligated balance for which we could identify reasons. Two reasons made up the $230 million balance: delay in awarding contracts, $73 million, and administrative commitments, $157 million.

Included in the unobligated balance due to administrative commitments was $108 million which the Federal Railroad Administration did not disburse to Amtrak for ongoing capital projects. (See page 35.)

### Funding Methods

Funding methods accounted for $71 million, or about 5 percent, of the unobligated balance to which we could identify reasons. Fully-funded programs not yet completed accounted for the entire $71 million. (See page 43.)

### Other Reasons

Other reasons accounted for $1,086 million, or almost 71 percent, of the unobligated balances for which we could identify reasons. Of this amount, $994 million was caused by one reason--eligible recipients chose not to apply for grant funds. (See page 39.) An additional $92 million of the unobligated amount in this category was the result of old, unspent no-year appropriations. (See page 49.)

### Economic Conditions

Economic conditions accounted for $23 million, or 1 percent, of the total unobligated balance for which we could identify reasons. One reason, inflation lower than estimated, made up the entire $23 million. (See page 51.)

### Congressional Actions

Congressional actions accounted for $125 million, or 8 percent, of the total unobligated balance for which we could identify reasons.

A supplemental appropriation accounted for $28 million of the $125 million in this category. The supplemental appropriation was not passed until August 15, 1985, too late in the year to obligate the funds. More funds received than requested, amounting to $97 million, accounted for the remaining balance in this category. (See page 55.)

Table IV.4: Reasons and Amounts for Unobligated Balances at VA, FY 1985

(dollars in millions)

| Account type | Con | Con | Oth | Total |
|---|---|---|---|---|
| Account title | 12 | 13 | 14 | |
| **Reasons** | | | | |
| Agency actions | | | | |
| Reserve/set aside | $ 15 | $ | $44 | $ 59 |
| Transfers and reprogrammings | | | | |
| Delay in design or construction changes | 51 | 34 | | 85 |
| Delay in awarding contracts | 1 | 17 | | 18 |
| Contract dispute | | | | |
| Delay in fund commitment process | | | | |
| Project cancellation | 40 | 3 | | 43 |
| Funds committed but not yet obligated | | | | |
| Underestimated costs | | | | |
| Inability to spend disapproved deferral | | | | |
| Funding methods | | | | |
| No-year funding | | | | |
| Fully-funded programs not yet completed | 736 | 44 | | 780 |
| Multiyear funding | | | | |
| Work for others not yet completed | | | | |
| Revolving fund | | | | |
| Other reasons | | | | |
| Old no-year appropriations unspent | | | | |
| Grantees' nonuse of allocated funds | | | | |
| Projects canceled for various reasons | | | | |
| Economic conditions | | | | |
| Inflation lower than estimated | 193 | | | 193 |
| Actual costs lower than estimated | | | | |
| Congressional actions | | | | |
| Erratic appropriations | | | | |
| More funds received than requested | | | | |
| Additional program review | | | | |
| Executive actions | | | | |
| Deferrals | | | | |
| Total for identified reasons | $1,036 | $ 98 | $44 | $1,178 |
| Total unobligated balance | $1,172 | $279 | $44 | $1,495 |

Account types
Con - construction
Oth - other

Account titles
(12) Major Construction
(13) Minor Construction
(14) Supply Fund

## VETERANS ADMINISTRATION

The three VA accounts we examined had a total unobligated balance for FY 1985 of $1,495 million. We identified the reasons for $1,178 million, or about 79 percent, of that amount. The three accounts were: Major Construction, Minor Construction, and the Supply Fund. The reasons and associated dollar amounts are shown in table IV.4. Highlights of the reasons attributed to the unobligated balances in these VA accounts were as follows.

### Agency Actions

Actions taken by VA accounted for $205 million, or about 17 percent, of the unobligated balance where we could identify reasons. Of this amount, $85 million was attributed to delays in design or scope changes. For example, $51 million was unobligated at the end of FY 1985 because of such delays and changes in major construction projects. The appropriations acts which provided funds for FY 1984 and FY 1985 specifically required that funds for FY 1984 be obligated by the awarding of construction contracts before the end of FY 1985. Funds provided for FY 1985 were to be obligated by the awarding of contracts for working drawings by the end of FY 1985. Despite these time limits set by law, $51 million remained unobligated.

The agency action of keeping some unobligated funds in reserve or for contingencies explains why $59 million was unobligated. The Supply Fund account had $44 million and the Major Construction account had $15 million in reserve and unobligated in FY 1985.

The Supply Fund account is an intragovernmental fund which does not receive any appropriations. It finances, on a reimbursable basis, the cost of warehouse inventories at depots and field stations and selected items of equipment procured centrally. It also finances, on the same basis, items and services to other federal agencies. VA chooses to maintain an unobligated balance in the supply account high enough to absorb the cost of incoming orders. This amount represents about one month's worth of orders.

The Major Construction account (see page 51) contingency funds represented funds which had been estimated for unanticipated circumstances for individual projects but were not needed during the execution of some of the projects.[4]

Funding Methods

One funding method, full funding, was responsible for about $780 million, or about 66 percent, of the unobligated balance for which we could identify reasons. (See page 43.)

Economic Conditions

VA officials informed us that savings due to lower inflation (and to a lesser extent, competitive market conditions, as defined in footnote 4) accounted for $193 million, or about 16 percent, of the unobligated balance where we could identify reasons. (See page 51.)

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[4]In the VA Major Construction account, contingency funds for completed projects which were not expended are kept in a working reserve with savings due to lower inflation (and other reasons such as increased competition in the construction industry which resulted in lower prices for construction work, i.e., "competitive market conditions") and funds left from the cancellation of projects. The working reserve is maintained at a level determined adequate by VA to fund additional unanticipated project costs.

VA officials told us that at the end of FY 1985, approximately 78 percent of the working reserve was primarily due to inflation savings and, to a lesser extent, competitive market conditions. Six percent was contingency funds. We applied those percentages to the FY 1985 working reserve unobligated balance of $248 million to determine the amounts attributable to inflation savings and contingencies ($193 million and $15 million, respectively). VA attributed the remaining 16 percent of the working reserve to the cancellation of projects. This represented $40 million of the total working reserve.

Table IV.5: Reasons and Amounts for Unobligated Balances at HUD, FY 1985

(dollars in millions)

| Account type | Con | Loa | Oth | Oth | Sta | Total |
|---|---|---|---|---|---|---|
| Account title | 15 | 16 | 17 | 18 | 19 | |
| Reasons | | | | | | |
| Agency actions | | | | | | |
| Reserve/set aside | $ | $ | $ | $ | $ | $ |
| Transfers and reprogrammings | | | | | | |
| Delay in design or construction changes | | | | | | |
| Delay in awarding contracts | | | | | | |
| Contract dispute | | | | | | |
| Delay in fund commitment process | 50 | | | | | 50 |
| Project cancellation | | | | | | |
| Funds committed but not yet obligated | 64 | 1,452 | 97 | 45,553 | | 47,166 |
| Underestimated costs | | | | | | |
| Inability to spend disapproved deferral | | | | | | |
| Funding methods | | | | | | |
| No-year funding | | | | | | |
| Fully-funded programs not yet completed | | | | | | |
| Multiyear funding | | | | | | |
| Work for others not yet completed | | | | | | |
| Revolving fund | | 12 | | | 349 | 361 |
| Other reasons | | | | | | |
| Old no-year appropriations unspent | | | | | | |
| Grantees' nonuse of allocated funds | | | | | | |
| Projects canceled for various reasons | | | | | | |
| Economic conditions | | | | | | |
| Inflation lower than estimated | | | | | | |
| Actual costs lower than estimated | | | | | | |
| Congressional actions | | | | | | |
| Erratic appropriations | | | | | | |
| More funds received than requested | | | | | | |
| Additional program review | | | | | | |
| Executive actions | | | | | | |
| Deferrals | | | | | | |
| Total for identified reasons | $114 | $1,464 | $ 97 | $45,553 | $349 | $47,577 |
| Total unobligated balance | $114 | $1,464 | $101 | $49,381 | $349 | $51,409 |

Account types

Con - construction
Oth - other
Loa - loan
Sta - standby

Account titles

(15) Urban Development Action Grants
(16) Housing for the Elderly or Handicapped
(17) Community Development Block Grants
(18) Annual Contributions for Assisted Housing
(19) Low-Rent Public Housing

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The five HUD accounts we examined had a total unobligated balance for FY 1985 of $51.4 billion. We identified the reasons for $47.6 billion, or about 93 percent, of that amount. The accounts were: Urban Development Action Grants, Housing for the Elderly or Handicapped, Community Development Block Grants, Annual Contributions for Assisted Housing, and Low-Rent Public Housing. The reasons and the associated dollar amounts are shown in table IV.5. Highlights of the reasons attributed to the unobligated balances in these HUD accounts were as follows.

### Agency Actions

Agency actions accounted for $47.2 billion, or about 99 percent, of HUD's $47.6 billion in unobligated balances for which we could identify reasons.

The procedure of committing funds to program recipients prior to obligation explained nearly all, $47.1 billion, of the unobligated balance in this category. (See page 35.)

### Funding Methods

Funding methods accounted for $361 million, or about 1 percent, of the unobligated balances for which we could identify reasons.

Of the $361 million, $349 million was attributable to the revolving fund loan activity in HUD's Low-Rent Public Housing account. The $349 million consisted of a cash balance of $24 million and $325 million in net accrued interest receivable on loans outstanding. The cash balance was the result of interest and loan principal repayments that had not yet been used to finance new loans. The accrued interest receivable was reduced by the amount of interest the fund owed the U.S. Treasury on past borrowings.

A cash balance of $12 million also occurred in HUD's Housing for the Elderly or Handicapped account, a revolving loan fund.

## DESCRIPTION OF 24 REASONS FOR UNOBLIGATED BALANCES

Appendix V contains a description of the 24 reasons for unobligated balances which are shown in tables III.3, IV.1, IV.2, IV.3, IV.4 and IV.5. The reasons are described in the same order as they appear in the tables.

Reserve/Set Aside - Holding a amount of funds in a reserve/set aside status to meet anticipated and unanticipated future program and/or project requirements.

Transfers and Reprogrammings - A transfer is a transaction that, pursuant to law, withdraws budget authority or balances from one appropriation account for credit to another. In this report, we consider that funds remained unobligated as a result of a transfer when either the transfer had not received congressional approval as of the end of the fiscal year or the funds were transferred too late in the fiscal year to be obligated.

A reprogramming utilizes funds in an appropriation account for purposes other than those contemplated at the time of appropriation. Reprogramming involves formal congressional notification and, in some instances, opportunity for disapproval by congressional committees. In this report, funds remained unobligated as a result of reprogramming when the funds were reprogrammed too late in the fiscal year to be obligated.

Delay in Design or Construction Changes - Agency, controller, or third-party actions which either delayed the design of a construction project or caused changes to a construction project, thus creating year-end unobligated balances.

Delay in Awarding Contracts - Agency, contractor, or third-party actions which resulted in contracts not being awarded when planned, thus creating unobligated balances.

Contract Dispute - Refers to a specific instance where a disagreement over the terms of a contract caused a delay in the obligation of funds.

Delay in Fund Commitment Process - An administrative delay that prevents unobligated funds from being committed to authorized programs and/or projects. The delay in the fund commitment process in turn caused a delay in the obligation of funds. (See also "Funds Committed But Not Yet Obligated.")

Project Cancellation - Specific agency action to cancel a project such as a construction, demonstration, or research and development project causing appropriated funds to go unobligated.

Funds Committed but Not Yet Obligated - A practice in certain agencies where obligated funds are committed to authorized programs and/or projects prior to entering into a formal obligation. A commitment of funds does not impose on the government a legal liability which would result in the expenditure of funds nor which could mature into a legal liability of the government by virtue of actions on the part of other parties beyond the control of the government. Commitments may also be referred to as reservations or announcements.

Underestimated Costs - Refers to a specific instance where funds appropriated for a construction project turned out to be far below the amount needed to complete the project. As a result, appropriated funds were not obligated until the following fiscal year when additional funds were appropriated to ensure the completion of the project.

Inability to Spend Disapproved Deferral - Funds proposed by the President to be deferred but disapproved by the Congress. Consequently, the agency was required to spend the funds but could not by fiscal year-end.

No-Year Funding - Budget authority that remains available for obligation for an indefinite period of time, usually until the objectives for which the authority was made available are attained.

Fully-Funded Program Not Yet Completed - Refers to uncompleted programs and/or projects for which full funding was received. Full funding provides budgetary resources to cover the total cost of a program or project at the time a program or project is undertaken.

Multiyear Funding - Budget authority made available for a specified period of time in excess of one fiscal year.

Work for Others Not Yet Completed - Refers to uncompleted work in the reimbursable programs of agencies which do work for other federal agencies and nonfederal customers.

Revolving Fund - An appropriation account authorized to be credited with collections, primarily from other agencies, and accounts that are earmarked to finance a continuing cycle of business-type operations. The unobligated balance, in part, consists of cash collections remaining at year-end that have yet to be used to finance operations.

Old No-Year Appropriations Unspent - Funds available until expended which have remained unobligated for 4 or more fiscal years.

Grantees' Nonuse of Allocated Funds - Funds earmarked for the use of designated recipients that have not yet been obligated.

<u>Projects Canceled for Various Reasons</u> - Projects canceled for one reason or another where it was unclear who or what specific action caused the project to be canceled.

<u>Inflation Lower Than Estimated</u> - The rise in the general price level was lower than estimated, resulting in excess unobligated funds.

<u>Actual Costs Lower Than Estimated</u> - Bids that contractors submitted for contracts were less than an agency anticipated. Consequently, contracts were awarded at costs lower than had been budgeted for, resulting in excess unobligated balances.

<u>Erratic Appropriations</u> - Appropriated funds received late (i.e., through a continuing resolution), early, or as a supplemental appropriation to the regular annual appropriation. In each case, either through a provision of law or insufficient time, these funds could not be obligated.

<u>More Funds Received Than Requested</u> - Funds appropriated but not requested in the original budget submission. All or part of the additional funds could not be obligated in the year in which they were received.

<u>Additional Program Review</u> - Refers to a specific instance where additional discussions were held between the Congress and agency management over the future funding of a previously authorized project. Until the future of the project was decided, previously appropriated funds were withheld from obligation.

<u>Deferrals</u> - Action proposed by the President, in accordance with the Congressional Budget and Impoundment Control Act of 1974 (31 U.S.C. 1403), to temporarily preclude an agency from obligating available budget authority. The deferrals were in effect at fiscal year-end because the Congress had not yet disapproved the proposed deferral.

## GLOSSARY OF BUDGET TERMS

Deobligations - A downward adjustment of previously recorded obligations. This may result from the cancellation of a project, price revisions, or corrections of estimates previously recorded as obligations.

Obligated Balances - The amounts of obligations already incurred (e.g., contracts signed) for which payment has not been made.

Obligation Rates - Rates computed by dividing obligations in a given fiscal year by the total amount of funds available for obligation in that year.

Outlays - Obligations liquidated when either a check is issued or cash is disbursed.

Spendout Rates - Rates computed by dividing outlays in a given fiscal year by the total amount of funds available for outlay in that year.

Unexpended Balances - The sum of obligated and unobligated balances.

Unobligated Balances - The amounts of budget authority that have not been obligated. They are only carried forward when the authority to incur obligations in subsequent years is specifically provided by law.

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